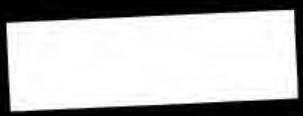
The President's Report
Rice University

From the Opening to the Summit

1991



This report provides an overview of our collective hosting of the 1990 Economic Summit of Industrialized Nations.

Hosting the Summit on our campus afforded all of us associated with this wonderful institution a double opportunity: it was a chance to participate in an historic event, and it was an occasion for Rice to be in the international spotlight.

While our participation in the Summit as an historic event was a backstage role, we took that role very seriously. Students, faculty, staff, the board, and other volunteers pitched in vigorously. Developing proposals, receiving visiting delegations, negotiating agreements, working with experts in such areas as communications and security, and then planning and implementing final programs of action consumed enormous amounts of time and energy from the fall of 1989 through the Summit and its aftermath. We achieved what by common consent were excellent results with almost no additional employees. Instead, an already lean staff and generous volunteers contributed far beyond what could be reasonably expected to realize the common goal of showing Rice University at its best. For that impressive contribution, we are all in the debt of the friends and colleagues whose efforts are chronicled in the following narrative.

Along with our backstage preparations, we also invested substantial time and energy to make the most of the opportunity for Rice to be in the international spotlight. We expected that the campus would be celebrated for its beauty and dignity, and we certainly encouraged this attention—for example, by lighting the exterior of Lovett Hall all night to allow both evening broadcasts in

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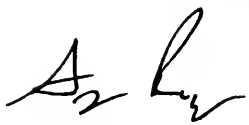
this country and also live coverage for daytime programs in Japan. In addition, we worked hard to assure that media coverage would focus not only on the campus as the backdrop of the Summit but also on substantive educational programs at Rice. To that end, we told the Rice story in a host of ways that are delineated in the following pages.

Its tree-shaded campus and red-roofed buildings laid out around a central quadrangle look like they belong in the elite northeastern Ivy League, not this sprawling southwestern metropolis. Rupp said Rice focused on undergraduates and on preserving a balance between the humanities and the natural sciences.

—Reuters

Rice continues to become better known as the special place it is: high in quality; deliberately small in scale; focused on undergraduate education; yet also a center for research and scholarship. Those qualities have characterized this institution from the Opening in 1912 through the Summit of 1990. I ask for the help and support of all members of the larger Rice family—students, staff, faculty, the board, alumni/ae, and friends—so that this remarkable combination of qualities may continue to distinguish the Rice University that we cherish and that is also more and more appreciated around the world.



George Rupp

With bemused smiles, George Bush and the leaders of the Western world posed for 300 clicking and whirring cameras beneath the searing eye of a July sun on the opening day of the 1990 Economic Summit of Industrialized Nations. They stood, with name tags at their feet to ensure proper positioning, at the edge of a red carpet that ended not at a doorway but in the academic quadrangle and that stretched behind them into the shade of the Sallyport. They stood where, a few hours before, they had watched military ceremonies from the relative comfort of a canopied, air-conditioned stage, taking days to build and minutes to dismantle. Within an hour, the image of the smiling world leaders was transmitted to newspapers from Mexico City to Moscow and was broadcast live from the Rice campus to television sets around the globe. Once again, Lovett Hall was the backdrop for an international "class photo."

The first one, which hangs in the president's office, is a black-and-white lithograph of the international scholars who visited Houston for Rice's opening ceremonies in 1912. They, too, stood before Lovett Hall, but unlike their 1990 counterparts, they stood on the dark Houston soil since no grass had been planted at the new school, and they wore black robes and serious expressions (perhaps because they had to do without air conditioning). Rice's first president, Edgar Odell Lovett, had invited his fellow scholars to announce the creation of the new school, the Rice Institute, which he planned to develop into a world-class university.

Final Communiqué
Communiqué Final
1990
Please thank all at Rice
so very much

While George Bush had invited his colleagues—Margaret Thatcher of Great Britain, Helmut Kohl of West Germany, Brian Mulroney of Canada, François Mitterrand of France, Giulio Andreotti of Italy, Toshiki Kaifu of Japan, and Jacques Delors of the European Economic Community—to Houston for political and economic discussions and not for scholarly discourse, he consciously selected Rice University as the site for these important and intimate meetings because of the school's stately beauty and its shining academic reputation.

The similarities between these two events and these two class photos were reinforced when George Rupp and the Board of Trustees presented President Bush with a memento of the first international event at Rice, the three-volume *The Rice Institute: Book of the Opening*. The books contain the scholarly presentations of those robed guests, many of them from Summit member nations, at the two-day celebration of Rice's opening.

In a letter to Rupp after the Summit, Bush responded with enthusiasm to the unique gift: "Thank you for the handsome volumes, *The Rice Institute: Book of the Opening*. They are wonderful additions for my future Presidential Library. Your kindness and thoughtfulness are greatly appreciated."

The letter from Bush brought to a close an event that offered a two-fold opportunity for the university. As President Rupp stated repeatedly, the Summit provided the chance to participate in a major historic event, and it was also an opportunity to place Rice University in the international spotlight.

Although Rice did play an important role in this distinguished meeting, it was from the outset clearly a backstage role. Rice's job was to make sure the stage was prepared so that the actors would have the best possible platform on which to conduct international affairs of global importance. In effect, Rice became the set for a diplomatic drama that was seen throughout the world. Rice's backstage preparations and support for this international drama were a resounding success. "We were what we should have been," says Carl MacDowell, assistant to the president and coordinator for the Rice Economic Summit Project. "We were the perfect host."

But most important to MacDowell was the way Rice staff members from across the university worked together to make the event successful. "The staff made it a quality show," he adds. "I'm very proud the university has the kind of personnel who could meet the challenge of this tremendous endeavor."

The planning began months earlier when Thomas Moffett, the facilities business manager at Rice, extended his duties as facilities coordinator for the Summit. Moffett and Rice's own technical staff handled the design, bidding process, and project management of the temporary construction. The task of preparing the campus for the Summit meetings was complicated and difficult. Moffett estimates that he and his staff easily spent an extra 40 hours a week on Summit activities during the four months before the event began. "I had always been excited about this opportunity," he says now. "I met a lot of people from the government and accomplished quite a bit in a short amount of time."

No other location of Economic Summits has maybe offered so many evocative suggestions and family memories for its protagonists. Especially stories of fathers and children. To begin with, the one concerning the building in which the Summit is taking place and the courtyard where the welcoming ceremonies and the parade took place. It is the heart of Rice University, a hybrid of Romanesque-Byzantine architecture, Gothic-European with a touch of Victorian style.

—*UNITA* (an Italian newspaper)

Accomplishing that "quite a bit" meant overseeing the design of the interior construction for the rooms where the meetings took place, in addition to collecting bids and overseeing the moving of furniture out of those rooms. Moffett and his staff also made sure that 50,000 square feet of new sod were placed properly on campus. His crew handled all the electrical needs for the Summit meetings and made sure the campus was spotless. The staff also built the air-conditioned stand for the leaders and the reviewing stands for the media. "All requests for facilities work came through me," he says. "It was more than a full-time job."

The Rice staff prepared diligently for this once-in-a-life-time event. Buildings and grounds staff at Rice worked incredible hours resurfacing roads around the university, digging up and replacing 30 Italian cypresses that a December freeze had killed, planting 8,000 periwinkles and scarletta begonias in 210 planters and numerous flower beds, and removing 150 feet of mature hedge for the opening day ceremonies on the academic quadrangle.

With few additions to help out during the Summit, Rice's small staff was stretched thin, as campus Police Chief Mary Voswinkel can attest. Her officers worked a string of 12-hour days and played a major role in Summit security. When Rice was first considered for the Summit, Voswinkel and her officers escorted government officials around campus and provided tours of the tunnels underneath. During the Summit itself, they formed a part of the special React Unit that dealt with emergencies and were part of the campus security force charged with checking everyone entering the Rice grounds, including Rice faculty and staff and delivery trucks.

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The most dramatic point for Voswinkel came when she inspected Lovett Hall one night. Suddenly, the floodlights, installed to keep the building lit for nighttime newscasts, came on as she approached the front of the building. "It took my breath away. It was beautiful."

With the staff, there were also hundreds of volunteers from the Rice community who played an important role in helping to present the campus at its best. One such volunteer, Tom Smith, a Rice alumnus and member of the board of governors, worked with a large number of fellow alumni and Houston volunteers to staff a Media Hospitality Center in the "R" Room at the Rice Stadium for more than three weeks in advance of the Summit. Additionally, Smith and other volunteers staffed a Rice information booth for journalists at the George R. Brown Convention Center. He also organized a group of volunteers who served as translators for foreign news reporters. Other alumni, led by alumna Patti Everett, hosted hospitality suites for the media at three downtown hotels for the duration of the Summit.

From the beginning, Rice officials made it clear that the university welcomed the opportunity to host the Summit. They were delighted the Summit would be held here and were happy to make the campus available at no cost, but on an as-is basis. Any changes deemed necessary, on what is considered one of the most beautiful campuses in the world, would have to be at the U.S. government's expense.

For the Summit itself, there were basically four meeting areas in three buildings. The opening plenary session was held in Lovett Hall in the Founder's Room. The large plenary meetings

with the heads of state and the finance and foreign ministers were held in the Jesse H. Jones Graduate School of Administration's Maconda and Ralph O'Connor Business and Information Center in Herring Hall. More than 10,000 books were moved out, and a conference table large enough to seat 24 people was constructed especially for these meetings. A wall 25-feet-high and curved at the top to match the arch of the existing ceiling was also built. In addition, amphitheater classrooms in Herring Hall were temporarily reconstructed into holding rooms for the heads of state. Two of the classrooms had stepped theater seating, so floors had to be constructed flush with the highest level. A floor-to-ceiling temporary wall was built to divide rooms in half, and another was constructed to cover the blackboards.

In Fondren Library, space had to be completely reconfigured in the Wright Reference Room, where the finance ministers met, and in the Elder Periodical Room, where the foreign ministers met, to convert the library space into striking conference rooms with large meeting tables. In the Elder Periodical Room, 24 computers were relocated, nearly 100 feet of fixed countertops were taken down, and a gigantic, circular mahogany reference desk was dismantled and moved out.

In all, almost 600 linear feet of walls 8-to-25-feet high were constructed to ready the rooms for the meetings. Most were one-sided stage sets, and all were used to enhance security and privacy. Moffett and his crew also built four of the 17 television and press platforms outside of Lovett Hall. In the main quadrangle, four platforms were built, the largest being 80-by-12-feet and three-tiers high. The presidential review platform for the heads of state for

Frankfurter Allgemeine
ZEITUNG FÜR DEUTSCHLAND
Massengräber in Sachsenhausen entdeckt
Ein Hilfegesuch Gorbatschows an Bush am Beginn des Weltwirtschaftsgipfels in Houston
Die Fußball-Nationalmannschaft in Frankfurt
Berichte aus der DDR

the opening day ceremony contained six tons of air conditioning blowing out of foot-level vents. Further, Rice crews constructed four other platforms of various sizes, one of which was built on the roof of Fondren Library for a television camera.

Sunday evening before the Monday ceremonies, James Kerneckel, maintenance manager, and other Rice workers found that they had just 18 hours to put a roof over the reviewing platform (20 feet high) and add more air conditioning. The request came from government officials who were concerned about the sun beating down on the leaders' heads as they stood on the then-uncovered reviewing platform. Bush was so impressed with how the Rice crew accomplished this marathon task that he took time out from his busy schedule to thank Rice facilities and engineering workers, many of whom had stayed up all night to make sure the quadrangle met his high expectations.

For Kerneckel, that was his most dramatic moment. "We were told Sunday night before President Bush's arrival to add the roof," he recalls. "We finished the job with just one hour to spare before the event."

Kerneckel, Eusebio Franco Jr., whose crew was responsible for cleaning the buildings used for the Summit, and other staff members shook hands with President Bush as he thanked them for their Summit preparations. "It was completely unexpected," Franco says. "We were thanked personally."

In the process of preparing the campus to the exacting governmental requirements for an event of this magnitude, many faculty and administrators with offices in Herring and Lovett halls and Fondren Library had to be relocated to other spaces to make room for the Summit meetings.

Rice faculty, staff, and students were inconvenienced, to be sure. But great care was exercised to keep the inconveniences as small as possible. The regular summer session and the Summer School for High School Students programs recessed only for the three days of the Summit. Likewise, the library was closed for only those days. And Rice researchers and scientists had use of their laboratories even during the Summit period, so they could continue to monitor their experiments. University officials persuaded the government that Rice is, after all, an educational institution, and as important as the Summit was, the university had other priorities that also needed to be met.

The main sessions will be held on the grounds of the 4,000-student private school. Red brick buildings and oak trees make it seem more like an Ivy League campus than part of the football-crazed Southwest Conference. A liberal arts school, Rice has an endowment (that is) ninth among the nation's private universities.

—USA Today

In terms of security, the anxiety level of the Secret Service was raised substantially because Rice faculty and staff continued to use all parts of the campus outside the central quadrangle, which was augmented to include Herring Hall, Cohen House, and the President's House, where one Summit luncheon was held. Outside this area, however, all of the university's laboratories and other essential operations continued to function throughout the Summit period, which, in turn, meant that 1,500 Rice employees had to be credentialed. These employees had to go through security checks to enter campus at designated points.

Through its participation in the Summit, Rice was able to give the nation and the world a sense of its educational vision. Rice officials welcomed media attention as an opportunity to tell the world about the university's special character and considerable merits. Rice administrators worked hard to communicate the university as a model for American higher education.

Work on this goal began months before the event as Nancy and George Rupp hosted a series of dinners at their house with local bureau chiefs who represented the nation's major media outlets: the *New York Times*, the *Los Angeles Times*, *Forbes*, *Newsweek*, *Time*, Reuters, the *Dallas Morning News*, and *USA Today*, as well as representatives from the *Houston Post*, the *Houston Chronicle*, the Associated Press, and United Press International. At these dinners, they invited a group of faculty to join them in telling the Rice story—not pushing the Rice story. They felt that once the character of Rice was known, the story would sell itself.

Similarly, Rupp made trips to New York and Washington, D.C., to visit the editorial boards of the *Wall Street Journal*, *USA Today*, *U.S. News and World Report*, the *New York Times*, the *New Republic*, *Harper's*, National Public Radio, the *Chronicle of Higher Education*, *Business Week*, *Fortune*, and *Time Magazine*. The goal was to raise the consciousness of reporters in these major media cities about an educational treasure in Houston—namely, Rice.

Although the network anchors did not report from Houston because of their work on the NATO Summit the week before, Rice still reached many of its media relations goals.

CANADA
BANK OF CANADA

Rice and Lovett Hall were the backdrops for nearly every major television news story originating from Houston. CNN did a number of stories on the character of the university through interviews with Rice historian John Boles and Rupp. Both CBS and ABC national morning news programs produced major stories about Rice faculty and students. Reuters and United Press International wrote positive stories about the university that went to media centers around the world. Rice seized this long-awaited media opportunity, and by familiarizing the media with Rice, the dividends from Summit public relations efforts will benefit the university for years to come.

Rice students, staff, and faculty developed a number of educational projects around the theme of the Summit. The projects were designed to contribute to an understanding of Summit issues and also to provide helpful information to Summit guests. At the same time, the projects were organized with the hope and expectation that media coverage would focus not only on the campus as a backdrop for the Summit but also on the substantive educational programs at Rice.

These programs were:

Pre-Summit Symposium: Head of the Rice Institute for Policy Analysis and Political Science Professor Joseph Cooper sponsored a series of public forums two weeks before the Summit on international defense policy and economics titled "World Politics and Economics in the 1990s." For the event, a number of the world's leading political and economic experts came to the Rice campus to discuss the major issues confronting the U.S. and its allies in the 1990s. The speakers, who addressed capacity crowds June 27-28, included Masamichi Hanabusa, consul general of

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Japan in New York; Donald T. Regan, U.S. secretary of the treasury from 1981 to 1985 and White House chief of staff from 1985 to 1987; Andreas A.M. van Agt, ambassador of the European Community to the United States; Jeffrey D. Sachs, professor of international trade at Harvard University; and Paul H. Nitze, ambassador-at-large who served as head of the U.S. negotiating team on arms control talks at Geneva.

"The program was Rice University's contribution to making the Summit a meaningful experience for the citizens of Houston and the nation," Cooper explains, adding that the pre-summit forums at Rice dealt with the very same issues the world leaders confronted during their Summit discussions.

Kids' Summit: Professor Linda McNeil, working with several volunteers and four teachers from the Houston Independent School District, prepared a packet of curriculum materials intended for a three-to-five-day set of lessons. The lesson plans, designed for third-through-10th-grade students, emphasized geography, economics, basic information about the Summit, and the languages of the participating nations. The materials included maps, a Summit vocabulary, and other items designed to enhance students' understanding of the event that dominated their city in mid-summer. The curriculum materials were distributed both to schools in the Houston Independent School District, suburban schools, and the Children's Museum. "The purpose of the curriculum materials was to spark students' curiosity about the larger world," explains McNeil.

Thresher Event: With encouragement and support from President Rupp, Jay Yates and Kurt Moeller, editors-in-chief of the Rice student newspaper, the *Thresher*, invited a group of interna-

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tional student newspaper editors from universities representing the participating Summit nations to join them in covering the Summit. Sixteen student journalists were chosen—one from each of the visiting nations and ten from representative U.S. colleges and universities: Berkeley, Carnegie-Mellon, Columbia, Harvard, Notre Dame, Swarthmore, the University of Miami, the University of Michigan, Washington University in St. Louis, and the University of Houston. Each student received Summit press credentials, and local media representatives conducted a press seminar for the participants. The students published special editions of the *Thresher* newspaper each of the three days of the Summit and distributed them at the George R. Brown Convention Center, media headquarters. Three of the students were interviewed on ABC's "Good Morning America." These student journalists wrote about what they experienced here in the leading papers of their nations in addition to their student newspapers.

Continuing Studies Program: In a special series of Continuing Studies courses set up by Dean Mary McIntire and co-sponsored by the Association of Rice Alumni, Political Science Associate Professor Richard Stoll, History Professor Francis Loewenheim, Economics Professor Gordon Smith, Political Science Professor John Ambler, Albert Thomas Professor of Political Science Fred von der Mehden, and MacDowell offered an inside look at international summitry, past and present, as they discussed "A Global View of the Economic Summit." Over six Monday evenings before the Summit, about 350 people heard Rice experts give a broad overview of historical, political, and economic issues that the leaders of the industrial democracies would likely discuss, along with an examination of the record of past economic summits.

Rice University is making history this week as the site of the Economic Summit meetings and extolling its history at the same time.

—Associated Press

Library Service: So that journalists covering the Summit from the George R. Brown Convention Center could report the event accurately and in a timely manner, Una Gourlay, director of Fondren Library's Regional Information and Communications Exchange, set up a communications service there with her Houston-area colleagues. Through the use of a variety of computer data banks, trained librarians, working an average of 12 hours a day, were able to answer factual questions posed by the media. In four days, they conducted 220 in-depth database searches, made 60 calls to outside sources for information, looked up 180 reference books, posted 560 reports about the Summit from wire services, and answered 750 other assorted questions.

Computer Project: Rice computer experts and other staff, along with a group of student and community volunteers, created HyperCard Stacks on Apple-donated computers for journalistic use. Reporters at the convention center could find out interesting facts about Texas, Houston, and Rice quickly by simply pressing a button on the computer. This project received positive recognition from reporters, who wrote news reports in their papers or for their newscasts about the state-of-the-art computer program.

The leaders and the more than 4,000 reporters and technical staff who came to Houston for the 1990 Economic Summit went away with new understanding about our one-of-a-kind university. As President Rupp was quoted in the *Chronicle of Higher Education*: "Rice is a very high-quality, small-scale institution that focuses on undergraduates, is affordable, and is also active in research."

Or as he told a United Press International reporter: "We are a model for what higher education at its best can be. What distinguishes Rice from virtually all of the 3,000 other colleges and universities in the country is that we are committed to embodying both kinds of institutions—the liberal arts college and the major research university.

"Our aim is not a compromise between the two. Instead, we intend to be both kinds of institutions in full strength."

It is a message that was sent around the world, even as, for three days in July, the world came to Rice.

Rice University is one of the nation's top private universities.

— Kyodo News Service (Japan)

Special thanks to Nancy Boothe, Director of the Woodson Research Center, for her invaluable assistance in assembling the historic documents and photographs. All large still-life photos were taken by Tommy LaVergne, Rice University photographer, and all small summit photos were taken by Geoff Winningham, Rice University professor of art.

United States, *page 4:*
- Photo: Opening Ceremonies in 1912 in front of Lovett Hall.
- Tickets: Invitation-Ticket to the "Thank-you Houston Party" at the University of Houston.
- Invitation: From President and Mrs. George Bush requesting the presence of the pleasure of the company of Dr. and Mrs. Rupp.
- Letter: From President George Bush to Dr. George Rupp, thanking all at Rice.
- Red Book: Schedule of summit meetings and events for the media.
- Blue Brochure: The Final Communique, or Economic Declaration, of heads of state message summarizing the decisions reached at the summit.
- Leather-Bound Program: *Formal Opening of Rice Institute in 1912.*

Italy, *page 8:*
- Photo: Benedetto Croce, Naples, Italy, Inaugural lecturer.
- Letter: From the Reale Accademia delle Scienze, Di Torino, to President Lovett in response to the invitation to the Formal Opening in 1912.
- Book: *The Rice University: A 75th Anniversary Portrait*, arched walkway through Lovett Hall.
- Currency: Italian Lire.

Great Britain, *page 10:*
- Photo: The British Educational Mission, from left to right: Sir Henry Miers of Manchester University and Sir Arthur Shipley of Cambridge University. November 1918.
- Letter: From Margaret Thatcher, Prime Minister of Great Britain, to Dr. Rupp, thanking him for the book of Rice University photographs.
- Currency: British Pound.

Germany, *page 12:*
- Photo: Wilhelm Ostwald, Inaugural lecturer at the Formal Opening in 1912.
- Book: *The Rice Institute, Book of the Opening, 1912.*
- Old letter: J.Wackernagel-Prorektor, Georg August Universität, Göttingen, Germany's, response to invitation of the Opening.
- Recent Letter: From Helmut Kohl, Chancellor, The Federal Republic of Germany, to President Rupp, August 1990.
- Newspaper: *Frankfurter Allegemeine*, article on summit.
- Currency: Deutsche Mark.

Canada, *page 16:*
- Photo: Canadian Sir Robert Falconer, President of the University of Toronto, 1906-1922.
- Old letter: From the president of the University of Toronto in response to the invitation to the Opening in 1912.
- New letter: From Canadian Prime Minister of Canada Brian Mulroney to Dr. George Rupp regarding the Economic Summit.
- Currency: Canadian Dollar.

Japan, *page 18:*
- Framed Photo: Baron Dairoku Kikuchi, Privy Councilor, President of the Imperial Academy, Honorary Professor of the Imperial University of Tokyo.
- Red Booklet: *The Japan Economic Journal.*
- Book Photo: Delegates and visitors to the Opening Ceremonies, 1912.
- Periodical: *Box Magazine*, September 1990, "Quest for the Best" in Texas that mentions Rice University.
- Response to Opening invitation from Science College, Imperial University, Tokyo, Japan, November 1912.
- Currency: Japanese Yen.

France, *page 20:*
- Photo: The French Educational Mission, from left to right: M. Charles Koechlin, Mme. M.L. Cazamian, Mrs. E.O. Lovett, Professor L. Cazamian, President of Rice Institute Edgar Odell Lovett.
- Old Letter: From Institut de France, Academie des Sciences, Gaston Darboux, Permanent Secretary of the Academie, in response to the invitation for the Opening Ceremonies.
- Recent Letter: From Roland Dumas, Ministry of Foreign Affairs, Ministry of State, thanking President Rupp for the 75th Anniversary Book.
- Currency: French Franc.

The Financial Report
Rice University

1990

Report of Independent Public Accountants

To the Board of Governors,
William Marsh Rice University:

We have audited the accompanying balance sheet of William Marsh Rice University (a nonprofit Texas corporation) as of June 30, 1990, and the related statements of changes in fund balances and current funds revenues, expenditures and other changes for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of William Marsh Rice University at June 30, 1990, and the changes in its fund balances and current funds revenues, expenditures and other changes for the year then ended in conformity with generally accepted accounting principles.

Arthur Andersen & Co.

Houston, Texas
October 5, 1990

BALANCE SHEET

JUNE 30, 1990, WITH COMPARATIVE TOTALS AT JUNE 30, 1989 (Dollars in Thousands)

	Current Funds	Endowment and Similar Funds	Annuity and Life Income Funds
ASSETS			
CASH, RECEIVABLES AND OTHER ASSETS:			
Cash	$ 182	$ —	$ 2
Accounts receivable	6,129	10,944	272
Loans, net of allowance for doubtful accounts of $599 in 1990 and $569 in 1989	—	—	—
Other assets	1,916	131	—
	8,227	11,075	274
INTERFUND RECEIVABLE (PAYABLE):			
Interest-bearing endowment fund advances	(176)	9,401	—
Noninterest-bearing advances	25,999	(18,667)	—
	25,823	(9,266)	—
INVESTMENTS (Notes 3 and 6)	281	692,587	47,539
EDUCATIONAL PLANT (Note 5)	—	—	—
Total assets	$34,331	$694,396	$47,813
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued liabilities	$11,148	$ 12,658	$ 4
Annuities and life income payable	—	—	8,586
Assets held in trust for others	—	—	3,453
Total liabilities	11,148	12,658	12,043
COMMITMENTS AND CONTINGENCIES (Note 7)			
FUND BALANCES:			
U.S. Government and private grants refundable	—	—	—
Annuity and life income funds	—	—	35,770
University funds-			
Unrestricted	4,360	—	—
Internally designated	8,221	—	—
Restricted	10,602	—	—
Income unrestricted endowment	—	327,679	—
Income restricted endowment	—	178,157	—
Unrestricted funds functioning as endowment	—	132,969	—
Restricted funds functioning as endowment	—	42,933	—
Unexpended plant funds	—	—	—
Net investment in plant	—	—	—
Total fund balances	23,183	681,738	35,770
Total liabilities and fund balances	$34,331	$694,396	$47,813

See notes to financial statements.

Report of Independent Public Accountants

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Arthur Andersen & Co.

Houston, Texas
October 5, 1990

BALANCE SHEET

JUNE 30, 1990, WITH COMPARATIVE TOTALS AT JUNE 30, 1989 (Dollars in Thousands)

	1990						1989
	Current Funds	Endowment and Similar Funds	Annuity and Life Income Funds	Plant Funds	Loan Funds	Combined	Combined
ASSETS							
CASH, RECEIVABLES AND OTHER ASSETS:							
Cash	$ 182	$ —	$ 2	$ —	$ —	$ 184	$ 91
Accounts receivable	6,129	10,944	272	145	—	17,490	28,664
Loans, net of allowance for doubtful accounts of $599 in 1990 and $569 in 1989	—	—	—	—	5,330	5,330	5,313
Other assets	1,916	131	—	—	—	2,047	2,116
	8,227	11,075	274	145	5,330	25,051	36,184
INTERFUND RECEIVABLE (PAYABLE):							
Interest-bearing endowment fund advances	(176)	9,401	—	(7,942)	(1,283)	—	—
Noninterest-bearing advances	25,999	(18,667)	—	(8,769)	1,437	—	—
	25,823	(9,266)	—	(16,711)	154	—	—
INVESTMENTS (Notes 3 and 6)	281	692,587	47,539	3,426	17	743,850	710,104
EDUCATIONAL PLANT (Note 5)	—	—	—	209,608	—	209,608	183,707
Total assets	$34,331	$694,396	$47,813	$196,468	$ 5,501	$978,509	$929,995
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accounts payable and accrued liabilities	$11,148	$ 12,658	$ 4	$ —	$ —	$ 23,810	$ 22,067
Annuities and life income payable	—	—	8,586	—	—	8,586	8,235
Assets held in trust for others	—	—	3,453	—	—	3,453	—
Total liabilities	11,148	12,658	12,043	—	—	35,849	30,302
COMMITMENTS AND CONTINGENCIES (Note 7)							
FUND BALANCES:							
U.S. Government and private grants refundable	—	—	—	—	3,784	3,784	3,527
Annuity and life income funds	—	—	35,770	—	—	35,770	32,949
University funds-							
Unrestricted	4,360	—	—	—	—	4,360	4,305
Internally designated	8,221	—	—	—	—	8,221	6,359
Restricted	10,602	—	—	—	1,717	12,319	10,581
Income unrestricted endowment	—	327,679	—	—	—	327,679	314,714
Income restricted endowment	—	178,157	—	—	—	178,157	168,515
Unrestricted funds functioning as endowment	—	132,969	—	—	—	132,969	142,404
Restricted funds functioning as endowment	—	42,933	—	—	—	42,933	40,325
Unexpended plant funds	—	—	—	3,523	—	3,523	8,946
Net investment in plant	—	—	—	192,945	—	192,945	167,068
Total fund balances	23,183	681,738	35,770	196,468	5,501	942,660	899,693
Total liabilities and fund balances	$34,331	$694,396	$47,813	$196,468	$ 5,501	$978,509	$929,995

See notes to financial statements.

STATEMENT OF CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 1990, WITH COMPARATIVE TOTALS FOR 1989 (Dollars in Thousands)

	1990										1989
	Current Funds			Endowment and Similar Funds		Annuity and Life Income Funds	Plant Funds				
	Unrestricted	Internally Designated	Restricted	Endowment	Functioning as Endowment		Unexpended	Investment in Plant	Loan Funds	Combined	Combined
REVENUES AND OTHER ADDITIONS:											
Investment income (Notes 3 and 6)	$39,860	$ 145	$14,093	$ 989	$ 2,178	$ 51	$ 317	$ —	$ 102	$ 57,735	$ 61,321
Realized gains on investments (Note 3)	—	—	—	10,551	4,588	2,173	46	—	—	17,358	44,616
Gifts and bequests (Note 2)	2,577	—	6,046	8,796	—	737	5,628	1,589	—	25,373	22,003
Tuition and fees	21,500	3,125	—	—	—	—	—	—	—	24,625	21,535
Grants and contracts	5,152	—	22,614	—	—	—	—	—	—	27,766	23,180
Unrestricted revenues of auxiliary enterprises	17,469	677	—	—	—	—	—	—	—	18,146	16,056
Additions to investment in plant-											
Direct expenditures (including $8,364 charged to current funds expenditures in 1990)	—	—	—	—	—	—	—	28,268	—	28,268	19,087
Repayment of advances from endowment funds	—	—	—	—	—	—	—	343	—	343	335
Interest on loans receivable	—	—	—	—	—	—	—	—	198	198	247
Other	512	2,015	1	—	—	—	380	7	198	3,113	2,699
Total revenues and other additions	87,070	5,962	42,754	20,336	6,766	2,961	6,371	30,207	498	202,925	211,079
EXPENDITURES AND OTHER DEDUCTIONS:											
Educational and general expenditures	67,347	6,318	40,814	—	—	—	—	—	—	114,479	100,216
Auxiliary enterprises expenditures	19,482	527	294	—	—	—	—	—	—	20,303	18,574
Expended for plant facilities	—	—	—	—	8,573	—	11,331	—	—	19,904	10,361
Repayment of advances from endowment funds	—	—	—	—	—	—	343	—	—	343	335
Interest on endowment fund advances	—	—	—	—	—	—	335	—	86	421	495
Amortization of auxiliary and educational service facilities	—	—	—	—	—	—	—	446	—	446	497
Retirement of plant assets	—	—	—	—	—	—	—	3,964	—	3,964	3,177
Loan cancellations and collection costs	—	—	—	—	—	—	—	—	64	64	232
Refunded to grantors	—	—	34	—	—	—	—	—	—	34	12
Total expenditures and other deductions	86,829	6,845	41,142	—	8,573	—	12,009	4,410	150	159,958	133,899
TRANSFERS AMONG FUNDS—ADDITIONS (DEDUCTIONS):											
Mandatory-											
Loan fund matching grants	—	—	—	—	(22)	—	—	—	22	—	—
Undesignated gifts (Note 2)	(15)	—	—	15	—	—	—	—	—	—	—
Provision for plant improvements (Note 5)	(3,701)	—	—	—	3,701	—	—	—	—	—	—
Funding of unrestricted current expenditures for equipment	4,322	—	—	—	(4,322)	—	—	—	—	—	—
Funding of principal and interest payments for plant additions	(678)	—	—	—	—	—	678	—	—	—	—
Matured annuity and life income funds	—	—	—	140	—	(140)	—	—	—	—	—
Other voluntary transfers, net	(114)	2,745	13	2,116	(4,377)	—	(463)	80	—	—	—
Total transfers	(186)	2,745	13	2,271	(5,020)	(140)	215	80	22	—	—
NET INCREASE (DECREASE) FOR THE YEAR	55	1,862	1,625	22,607	(6,827)	2,821	(5,423)	25,877	370	42,967	77,180
FUND BALANCE AT BEGINNING OF YEAR	4,305	6,359	8,977	483,229	182,729	32,949	8,946	167,068	5,131	899,693	822,513
FUND BALANCE AT END OF YEAR	$ 4,360	$8,221	$10,602	$505,836	$175,902	$35,770	$ 3,523	$192,945	$5,501	$942,660	$899,693

See notes to financial statements.

1990		1989
Restricted	Combined	Combined
$14,093	$54,098	$54,025
—	24,625	21,535
17,466	21,710	17,843
5,126	6,034	5,337
4,128	6,705	5,203
—	2,272	1,881
1	256	119
40,814	115,700	105,943
294	18,440	16,580
41,108	134,140	122,523
14,271	48,424	42,719
21,299	21,299	17,037
938	938	1,115
339	5,761	5,159
2,981	12,213	10,509
57	3,150	2,812
489	10,661	9,879
439	9,187	8,314
1	2,846	2,672
40,814	114,479	100,216
294	20,303	18,574
41,108	134,782	118,790
—	(15)	(58)
—	(3,701)	(3,929)
13	6,288	3,196
1,646	1,646	1,661
(34)	(34)	(12)
1,625	4,184	858
$ 1,625	$ 3,542	$ 4,591

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ts, are as follows:

	$ 4,030
	2,626,436
	2,630,466
	1,819,987
	11,224,329
	$15,674,782

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d by the board of governors.

The following tabulation summarizes investment performance (excluding unrealized gains from market appreciation) for the year ended June 30, 1990:

	Investment Income				Realized Gains (Losses), Net	
	Current Funds	Endowment and Similar Funds	Annuity and Life Income Funds	Other Funds	Endowment and Similar Funds	Other Funds
Marketable securities	$47,111,000	$2,102,000	$51,000	$419,000	$13,297,000	$2,219,000
Wholly owned corporations	2,469,000	11,000	—	—	—	—
Oil and gas properties	2,860,000	984,000	—	—	1,847,000	—
Other investments	1,853,000	70,000	—	—	(5,000)	—
	$54,293,000	$3,167,000	$51,000	$419,000	$15,139,000	$2,219,000

Investment income from marketable securities of annuity and life income funds does not include income distributed to beneficiaries of $2,926,000. The above tabulation includes approximately $195,000 investment income earned by auxiliary enterprise investments.

Investments at June 30, 1990 and 1989, are as follows:

	June 30	
	1990	1989
Marketable securities ($1,031,059,000 and $927,691,000 market value, respectively)	$704,070,000	$674,827,000
Developed real estate	18,315,000	17,968,000
Mortgage loans	9,085,000	6,086,000
Undeveloped real estate	6,895,000	8,497,000
Oil and gas properties (net of accumulated amortization of $25,411,000 and $26,475,000, respectively)	3,790,000	1,555,000
Wholly owned corporations, at underlying equity	1,695,000	1,171,000
	$743,850,000	$710,104,000

Marketable securities in the table above include annuity and life income funds securities of $65,804,000 and $52,703,000, market value, for the respective years.

4. Retirement Plans

Substantially all employees are eligible to participate in a defined contribution retirement plan which is administered by an outside agency. The contributions of the University and the plan participants, who are fully vested, are applied to individual annuities issued to each participant. The University's contributions to the plan of $4,719,000 in 1990 were recorded as expenditures of the unrestricted current fund.

The University also had a defined benefit retirement plan administered by the same outside agency covering participants who began receiving retirement benefits prior to July 1, 1976, and certain other employees. On May 26, 1988, the board of governors approved the termination of the defined benefit retirement plan. As of April 1, 1989, guaranteed annuity benefits were purchased for all retired participants and the vested benefits for the remainder of the participants were combined with the existing defined contribution plan using substantially all of the net assets of the terminated plan.

5. Educational Plant

Property and equipment of the educational plant at June 30, 1990, are as follows:

Land	$9,628,000
Buildings and improvements	116,043,000
Equipment, furniture and library books	74,452,000
Construction in progress	20,844,000
Less- Allowance for amortization of auxiliary and educational service facilities	(11,359,000)
	$209,608,000

As a provision for plant improvements, a transfer equal to approximately 10 percent of unrestricted endowment income has been made from unrestricted current funds to unrestricted funds functioning as endowment. The balance of the provision for these improvements is $2,823,000 at June 30, 1990.

6. Collateral for Loaned Securities

The University participates in a securities lending program administered by a broker using securities held in custody by the University's custodial bank. All loaned securities are collateralized with letters of credit held by the custodial bank equal to or greater than 102 percent of the daily market value of the securities. As of June 30, 1990, securities with a market value of $112,458,000 were loaned through this program. Investment income includes approximately $267,000 earned from securities loaned during fiscal 1990.

7. Commitments and Contingencies

There are several suits and claims pending against the University, the effect of which cannot be estimated at this time; however, officials of the University and legal counsel believe that the ultimate liability, if any, will not be material to the University's financial position.

The University was committed under contracts at June 30, 1990, for capital improvements and major maintenance of approximately $18,152,000 to be financed primarily from funds functioning as endowment and gifts. Commitments of $1,216,000 in the unrestricted current funds and $1,945,000 in the restricted current fund were also outstanding at June 30, 1990.

The fund balance of unrestricted funds functioning as endowment includes a $5,000,000 provision for contingencies at June 30, 1990. If funds are expended from this balance, it is replenished by transfers of unrestricted funds functioning as endowment to maintain the balance at $5,000,000. No transfers were necessary during fiscal 1990.

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES

FOR THE YEAR ENDED JUNE 30, 1990, WITH COMPARATIVE TOTALS FOR 1989 (Dollars in Thousands)

	1990				1989
	Unrestricted	Internally Designated	Restricted	Combined	Combined
REVENUES:					
Educational and general-					
Endowment income (Notes 3 and 6)	$39,860	$ 145	$14,093	$54,098	$54,025
Tuition and fees	21,500	3,125	—	24,625	21,535
Government grants and contracts	4,244	—	17,466	21,710	17,843
Private grants and contracts	908	—	5,126	6,034	5,337
Gifts and bequests (Note 2)	2,577	—	4,128	6,705	5,203
Departmental sales and services	344	1,928	—	2,272	1,881
Other sources	168	87	1	256	119
Total educational and general	69,601	5,285	40,814	115,700	105,943
Auxiliary enterprises	17,469	677	294	18,440	16,580
Total revenues	87,070	5,962	41,108	134,140	122,523
EXPENDITURES:					
Educational and general-					
Instruction and departmental research	29,540	4,613	14,271	48,424	42,719
Sponsored research	—	—	21,299	21,299	17,037
Other sponsored programs	—	—	938	938	1,115
Library	4,691	731	339	5,761	5,159
Scholarships and fellowships	9,179	53	2,981	12,213	10,509
Student services	2,861	232	57	3,150	2,812
Operation and maintenance of plant	10,170	2	489	10,661	9,879
General administration	8,065	683	439	9,187	8,314
Institutional development	2,841	4	1	2,846	2,672
Total educational and general	67,347	6,318	40,814	114,479	100,216
Auxiliary enterprises	19,482	527	294	20,303	18,574
Total expenditures	86,829	6,845	41,108	134,782	118,790
TRANSFERS AND ADDITIONS (DEDUCTIONS):					
Mandatory transfers-					
Undesignated gifts (Note 2)	(15)	—	—	(15)	(58)
Provision for plant improvements (Note 5)	(3,701)	—	—	(3,701)	(3,929)
Voluntary transfers, net	3,530	2,745	13	6,288	3,196
Other additions (deductions)-					
Amount of restricted receipts over transfers to revenues	—	—	1,646	1,646	1,661
Refunded to grantors	—	—	(34)	(34)	(12)
Net transfers and additions (deductions)	(186)	2,745	1,625	4,184	858
Net increase in fund balances	$ 55	$1,862	$ 1,625	$ 3,542	$ 4,591

See notes to financial statements.

Notes to Financial Statements - June 30, 1990

1. Summary of significant accounting policies

Basis of Accounting

The financial statements of William Marsh Rice University (the University) have been prepared in accordance with generally accepted accounting principles for colleges and universities. Accordingly, the accompanying financial statements have been prepared on the accrual basis of accounting, except for depreciation of educational plant facilities, as explained below. Limitations and restrictions placed on the use of available resources are recognized in the accompanying financial statements through the use of fund accounting. Fund accounting is a procedure by which resources are classified for accounting and reporting purposes into separate funds in accordance with specified objectives or activities. Funds having similar characteristics together with all related financial transactions have been combined into fund groups in the accompanying financial statements.

The financial informatioo shown for 1989 in the accompanying financial statements is included to provide a basis for comparison with 1990 and presents summarized totals only.

Current Funds

The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

The unrestricted current fund is used to account for those transactions related to the University's operating budget as approved by the board of governors and for certain resources which have been designated for specific purposes by the University's administration. These latter items are presented under the internally designated caption. With the exception of the net increases of certain auxiliary fund balances, other than athletics, it is the policy of the board of governors to transfer any net increase in the unrestricted current fund balance for the year to unrestricted funds functioning as endowment.

The restricted current fund is used to account for funds expended for current operations but restricted by donors or other external sources for specific purposes. In the statement of current funds revenues, expenditures and other changes, restricted current fund receipts are reported as revenues when expended.

Current funds used to purchase equipment are accounted for as expenditures of the current funds. Equipment expenditures of the unrestricted current fund are funded by a transfer from that portion of unrestricted funds functioning as endowment described in Note 5.

Endowment and Similar Funds

Endowment funds are generally subject to the restrictions of gift instruments requiring that the principal be invested and only the income be expended. Gains and losses arising from the disposition of the investments are accounted for as changes in principal. Endowment funds are either income restricted or income unrestricted as stipulated by the donor. Investment income from income restricted endowments may be expended only for the purpose specified by the donor; unrestricted endowment income may be expended for any purpose approved by the board of governors.

The board of governors has designated certain restricted and unrestricted funds to function as endowment funds. Restricted funds functioning as endowment are comprised of (a) restricted current gifts transferred to this fund by the board of governors and (b) any excess of restricted investment income over current expenditures. The principal of these funds may be expended, but only in accordance with the original specifications of the donor. Investment income from these funds is also subject to the same restrictions as the original gifts. The principal of unrestricted funds functioning as endowment is spendable at the discretion of the board of governors.

Generally, income from unrestricted endowment and similar funds is reported as revenue of the unrestricted current fund, and income from restricted endowment and similar funds is reported in the fund to which it is restricted. However, investment income from developed real estate and oil and gas properties equal to amortization of the properties is retained in the endowment funds for the purpose of asset recovery. Also, 27-1/2 percent ($984,000 for 1990) of the net receipts from oil and gas royalties are retained in the income unrestricted endowment fund after the related properties are fully amortized. In addition, income from restricted funds supporting educational chairs in excess of current-year expenditures is retained in the endowment funds.

Annuity and Life Income Funds

Annuity and life income funds arise from gifts which are subject to the requirement that the University or its subsidiary act as trustee for the donated assets and periodically pay specified amounts to the designated beneficiaries. Generally, beneficiary payments are fixed for annuity funds and based on the income earned on the donated assets for life income funds. At a date specified in the gift instruments, usually the beneficiary's date of death, ownership of the donated assets will transfer to the University and the beneficiary payments will cease. Annuity funds also include gift annuities which arise from gifts for which the University takes ownership of the assets at the date of gift with an obligation to periodically pay specified amounts to designated beneficiaries. Annuities and life income payable includes the discounted annuities obligation and undistributed life income fund earnings. Also included in the annuity and life income funds are certain agency funds, whereby the University serves as custodian.

Plant Funds

Plant funds consist of amounts in the educational plant together with unexpended gifts, grants, income and administratively designated funds which are held for acquisition, replacement or construction of physical properties. The educational plant is stated at cost for purchased assets and fair market value at the date of donation in the case of gifts. Auxiliary and educational service facilities financed with advances from endowment funds are depreciated over their estimated useful lives. Although no other educational plant assets are depreciated, it is the University's policy to retire capitalized equipment at the rate of 6-2/3 percent per year.

Certain capital projects and major maintenance projects for auxiliary enterprises are funded with interest-bearing advances from unrestricted funds functioning as endowment. The advances for capital and major maintenance projects bear interest ranging primarily from 4 percent to 11 percent.

In September 1988, the Financial Accounting Standards Board released Statement of Financial Accounting Standards No. 99 (Deferral of the Effective Date of Recognition of Depreciation by Not-for-Profit Organizations). The statement, which is required to be adopted by the University not later than fiscal 1991, requires all not-for-profit organizations to recognize the cost of utilizing long-lived tangible assets. The University is currently evaluating the impact of this statement and intends to adopt the statement in fiscal 1991.

Loan Funds

Loan funds include (a) gifts and grants which are limited by donors for the purpose of making loans to students or faculty, (b) federal student loan programs financed primarily by the federal government and administered by the University and (c) advances to the loan funds from unrestricted funds functioning as endowment. The interest received on student loans financed by advances from unrestricted funds functioning as endowment is repaid to the endowment funds.

2. Gifts and Bequests:

It is the policy of the University to include gifts as revenues or additions to the appropriate fund balances only when received. Gifts and bequests without any designated obligatory use are required to be added to endowment, according to a legal interpretation of the University's charter. These gifts are recorded as revenues of the unrestricted current fund and as mandatory transfers to the endowment and similar funds.

Pledges outstanding at June 30, 1990 which will be recorded as revenues upon receipt of the gifts, are as follows:

Current funds-	
Unrestricted	$ 4,030
Restricted	2,626,436
Total current funds	2,630,466
Endowment funds	1,819,987
Plant funds	11,224,329
Total pledges	$15,674,782

3. Investments:

Investments are recorded at cost at date of acquisition or fair market value at date of donation in the case of gifts. Investments in wholly owned corporations are accounted for in the endowment and similar funds under the equity method. Property taxes and maintenance costs on undeveloped real estate interests in the unrestricted endowment have been capitalized (accumulated costs of approximately $3,070,000 at June 30, 1990).

Most income restricted endowment funds, restricted funds functioning as endowment and some unrestricted funds functioning as endowment participate in two common investment pools which are operated on a market value basis. The income restricted endowment funds, which by the terms of the gifts may not participate in such pools, are maintained on a separate investment basis. Other unrestricted endowment funds are commingled for investment purposes in the general investment pool for unrestricted funds. Investments are made within established guidelines authorized by the board of governors.

The following tabulation summarizes investment performance (excluding unrealized gains from market appreciation) for the year ended June 30, 1990:

	Investment Income				Realized Gains (Losses), Net	
	Current Funds	Endowment and Similar Funds	Annuity and Life Income Funds	Other Funds	Endowment and Similar Funds	Other Funds
Marketable securities	$47,111,000	$2,102,000	$51,000	$419,000	$13,297,000	$2,219,000
Wholly owned corporations	2,469,000	11,000	—	—	—	—
Oil and gas properties	2,860,000	984,000	—	—	1,847,000	—
Other investments	1,853,000	70,000	—	—	(5,000)	—
	$54,293,000	$3,167,000	$51,000	$419,000	$15,139,000	$2,219,000

Investment income from marketable securities of annuity and life income funds does not include income distributed to beneficiaries of $2,926,000. The above tabulation includes approximately $195,000 investment income earned by auxiliary enterprise investments.

Investments at June 30, 1990 and 1989, are as follows:

	June 30	
	1990	1989
Marketable securities ($1,031,059,000 and $927,691,000 market value, respectively)	$704,070,000	$674,827,000
Developed real estate	18,315,000	17,968,000
Mortgage loans	9,085,000	6,086,000
Undeveloped real estate	6,895,000	8,497,000
Oil and gas properties (net of accumulated amortization of $25,411,000 and $26,475,000, respectively)	3,790,000	1,555,000
Wholly owned corporations, at underlying equity	1,695,000	1,171,000
	$743,850,000	$710,104,000

Marketable securities in the table above include annuity and life income funds securities of $65,804,000 and $52,703,000, market value, for the respective years.

4. Retirement Plans

Substantially all employees are eligible to participate in a defined contribution retirement plan which is administered by an outside agency. The contributions of the University and the plan participants, who are fully vested, are applied to individual annuities issued to each participant. The University's contributions to the plan of $4,719,000 in 1990 were recorded as expenditures of the unrestricted current fund.

The University also had a defined benefit retirement plan administered by the same outside agency covering participants who began receiving retirement benefits prior to July 1, 1976, and certain other employees. On May 26, 1988, the board of governors approved the termination of the defined benefit retirement plan. As of April 1, 1989, guaranteed annuity benefits were purchased for all retired participants and the vested benefits for the remainder of the participants were combined with the existing defined contribution plan using substantially all of the net assets of the terminated plan.

5. Educational Plant

Property and equipment of the educational plant at June 30, 1990, are as follows:

Land	$9,628,000
Buildings and improvements	116,043,000
Equipment, furniture and library books	74,452,000
Construction in progress	20,844,000
Less- Allowance for amortization of auxiliary and educational service facilities	(11,359,000)
	$209,608,000

As a provision for plant improvements, a transfer equal to approximately 10 percent of unrestricted endowment income has been made from unrestricted current funds to unrestricted funds functioning as endowment. The balance of the provision for these improvements is $2,823,000 at June 30, 1990.

6. Collateral for Loaned Securities

The University participates in a securities lending program administered by a broker using securities held in custody by the University's custodial bank. All loaned securities are collateralized with letters of credit held by the custodial bank equal to or greater than 102 percent of the daily market value of the securities. As of June 30, 1990, securities with a market value of $112,458,000 were loaned through this program. Investment income includes approximately $267,000 earned from securities loaned during fiscal 1990.

7. Commitments and Contingencies

There are several suits and claims pending against the University, the effect of which cannot be estimated at this time; however, officials of the University and legal counsel believe that the ultimate liability, if any, will not be material to the University's financial position.

The University was committed under contracts at June 30, 1990, for capital improvements and major maintenance of approximately $18,152,000 to be financed primarily from funds functioning as endowment and gifts. Commitments of $1,216,000 in the unrestricted current funds and $1,945,000 in the restricted current fund were also outstanding at June 30, 1990.

The fund balance of unrestricted funds functioning as endowment includes a $5,000,000 provision for contingencies at June 30, 1990. If funds are expended from this balance, it is replenished by transfers of unrestricted funds functioning as endowment to maintain the balance at $5,000,000. No transfers were necessary during fiscal 1990.

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